

AL JAZEERA INTERNATIONAL LIMITED
(REGISTERED NUMBER 05233333)

ANNUAL REPORT AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

TUESDAY



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AL JAZEERA INTERNATIONAL LIMITED

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AL JAZEERA INTERNATIONAL LIMITED

COMPANY INFORMATION

for the year ended 31 December 2017

DIRECTORS:

Muftah Al Suwaidan
Khalid Abdulla M Al-Mulla

REGISTERED OFFICE:

Premier Suite
4 Churchill Court
58 Station Road
North Harrow
Middlesex
HA2 7ST

BUSINESS ADDRESS:

Level 16
The Shard
32 London Bridge Street
London
SE1 9SG

REGISTERED NUMBER:

05233333 (England and Wales)

INDEPENDENT AUDITOR:

KPMG LLP
15 Canada Square
London
E14 5GL

BANKER:

Qatar National Bank
51 Grosvenor Street
London
W1K 3HH

AL JAZEERA INTERNATIONAL LIMITED

STRATEGIC REPORT

for the year ended 31 December 2017

The directors present their strategic report for Al Jazeera International Limited ('the company') for the year ended 31 December 2017.

REVIEW OF BUSINESS

The company's principal activities during the year continued to be the provision of satellite broadcasting services including production of programmes for broadcasting.

The company is predominantly a service based organisation, established to provide a news and current affairs service to the general public worldwide, and is financed by the Qatari government. The profit shown in the financial statements relates to the mark-up of 5%/6% on costs charged by the company to Al Jazeera Media Network, Doha.

The key financial and other performance indicators during the year were as follows:

	2017	2016	2015
Turnover	£31.3m	£32.4m	£33.8m
Gross profit	£15.4m	£15.0m	£15.2m
Net profit/(loss)	£1.8m	£2.2m	£7.8m
Shareholders' funds	£33.8m	£31.8m	£29.5m
Number of employees	136	138	132

The results are in accordance with the company's long term objectives.

The Board expects the ensuing year to be in line with the 2017 results. The shareholders' funds have increased due to profit generated by the company for the year.

The company has assurances from related parties that they will continue their financial and operating support on the basis of which the Board has confirmed that it considers the company to be a going concern. Thus the financial statements have been prepared on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The company's business is exposed to a number of risks and uncertainties, which could, either on their own or in combination with others, potentially have a material adverse effect on the company's strategy, business, performance, results, financial or trading condition, and/or reputation.

One such risk is political risk. For instance, governments may alter fiscal or other terms governing broadcasting or media operations. To mitigate this risk the company conforms rigidly to Ofcom requirements and all other statutes relevant to the company's activities.

Another risk is cyber-attack leading to system denial or significant reputational damage, for example the ability to broadcast our programmes or personnel and sensitive data being compromised.

This risk is mitigated by employing sophisticated up to date internal security systems, running internal awareness campaigns and employing sophisticated disaster recovery management tools.

ABOUT THE COMPANY

The company is wholly owned by the Emir of the State of Qatar. All the company's services are provided to Al Jazeera Media Network, which is indirectly owned by the Emir of the State of Qatar through the state broadcasting entity.

No dividends have been voted to date, and it is highly unlikely any dividends will be paid in the foreseeable future.

AL JAZEERA INTERNATIONAL LIMITED

STRATEGIC REPORT

for the year ended 31 December 2017

KEY SERVICE POINTS

Several factors contribute to the effectiveness of our services, but the following key values are the foundations of the company.

People

The company's employees are its most important asset. Our human resources policy aims at a lasting relationship with our personnel. This allows us to develop processes for the benefit of our clients' development projects.

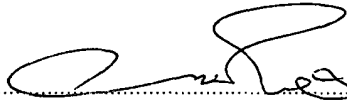
The company follows best practice employment policies, which espouses equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status.

The company encourages employee involvement in policy decisions relating to the content produced and aired by the company by means of regular communication programmes, meetings and conferences

Integrity

A lot of emphasis is made on ethical values both with our suppliers as well as personnel which has ensured long term relationships which are essential to the growth of the company.

ON BEHALF OF THE BOARD:



Muftah Al Suwaidan - Director

Date: 20/08/2018

Premier Suite
4 Churchill Court
58 Station Road
North Harrow
HA2 7ST

AL JAZEERA INTERNATIONAL LIMITED

DIRECTORS' REPORT

for the year ended 31 December 2017

The directors present their report with the financial statements of the company for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of satellite broadcasting services to a related company.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2017 (2016 – none).

FUTURE DEVELOPMENTS

During the year, the company disposed of its interests in subsidiaries for £1. This has resulted in neither a loss or profit on disposal.

No major developments are planned for the ensuing year.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Muftah Al Suwaidan
Khalid Abdulla M Al-Mulla

GOING CONCERN

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as each person currently serving as a director of the company at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware and each director hereby confirms that he or she has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information, and to establish that the company's auditor is aware of that information.

They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

AUDITORS

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

ON BEHALF OF THE BOARD:



Muftah Al Suwaidan - Director

Date: 20/08/2018

Premier Suite
4 Churchill Court
58 Station Road
North Harrow
HA2 7ST

AL JAZEERA INTERNATIONAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS for the year ended 31 December 2017

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AL JAZEERA INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of Al Jazeera International Limited ("the company") for the year ended 31st December 2017 which comprise the Statement of Profit or Loss, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows, and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31st December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AL JAZEERA INTERNATIONAL LIMITED

Directors' responsibilities

As explained more fully in their statement set out on page 5, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Andrew Turner

Andrew Turner (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

Date: 29 August 2018

AL JAZEERA INTERNATIONAL LIMITED**STATEMENT OF PROFIT AND LOSS**
for the year ended 31 December 2017

	Notes	2017 £	2016 £
CONTINUING OPERATIONS			
Revenue		31,308,232	32,414,894
Cost of sales		<u>(15,912,474)</u>	<u>(17,445,425)</u>
GROSS PROFIT		15,395,758	14,969,469
Other operating income		46,783	-
Administrative expenses		<u>(13,676,193)</u>	<u>(12,755,947)</u>
OPERATING PROFIT		1,766,348	2,213,522
Finance costs	4	(40)	(997)
Finance income	4	<u>553</u>	<u>4,350</u>
PROFIT BEFORE INCOME TAX	5	1,766,861	2,216,875
Income tax	6	<u>-</u>	<u>-</u>
PROFIT FOR THE YEAR		<u><u>1,766,861</u></u>	<u><u>2,216,875</u></u>

The notes on pages 14 to 22 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED**STATEMENT OF OTHER COMPREHENSIVE INCOME**
for the year ended 31 December 2017


	2017 £	2016 £
PROFIT FOR THE YEAR	1,766,861	2,216,875
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>1,766,861</u>	<u>2,216,875</u>

The notes on pages 14 to 22 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED (REGISTERED NUMBER: 05233333)**STATEMENT OF FINANCIAL POSITION****31 December 2017**

	Notes	2017 £	2016 £
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	12,119,103	20,108,027
Investments	8	-	1
Loans and other financial assets	9	<u>567</u>	<u>567</u>
		<u>12,119,670</u>	<u>20,108,595</u>
CURRENT ASSETS			
Inventories	10	156,277	252,967
Trade and other receivables	11	35,732,943	26,341,966
Cash and cash equivalents	12	<u>1,419,226</u>	<u>1,700,634</u>
		<u>37,308,446</u>	<u>28,295,567</u>
TOTAL ASSETS		<u>49,428,116</u>	<u>48,404,162</u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	13	50,000	50,000
Capital contribution	14	38,292,794	38,089,104
Retained earnings	14	<u>(4,543,940)</u>	<u>(6,310,801)</u>
TOTAL EQUITY		<u>33,798,854</u>	<u>31,828,303</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15	14,649,512	15,596,109
Provisions	17	<u>979,750</u>	<u>979,750</u>
		<u>15,629,262</u>	<u>16,575,859</u>
TOTAL LIABILITIES		<u>15,629,262</u>	<u>16,575,859</u>
TOTAL EQUITY AND LIABILITIES		<u>49,428,116</u>	<u>48,404,162</u>

The financial statements were approved by the Board of Directors on 20/08/2018 and were signed on its behalf by:


 Muftah Al Suwaidan - Director

The notes on pages 14 to 22 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED**STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2017**

	Called up share capital £	Retained earnings £	Capital contribution £	Total equity £
Balance at 1 January 2016	50,000	(8,527,676)	38,089,104	29,611,428
Changes in equity				
Total comprehensive income	<u>-</u>	<u>2,216,875</u>	<u>-</u>	<u>2,216,875</u>
Balance at 31 December 2016	<u>50,000</u>	<u>(6,310,801)</u>	<u>38,089,104</u>	<u>31,828,303</u>
Changes in equity				
Capital contribution	-	-	203,690	203,690
Total comprehensive income	<u>-</u>	<u>1,766,861</u>	<u>-</u>	<u>1,766,861</u>
Balance at 31 December 2017	<u>50,000</u>	<u>(4,543,940)</u>	<u>38,292,794</u>	<u>33,798,854</u>

The notes on pages 14 to 22 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED

STATEMENT OF CASH FLOWS for the year ended 31 December 2017

		2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	(429,373)	(3,840,375)
Interest paid		<u>(40)</u>	<u>(997)</u>
Net cash from operating activities		<u>(429,413)</u>	<u>(3,841,372)</u>
Cash flows from investing activities			
Proceeds from capital contribution		203,690	-
Purchase of tangible fixed assets		(56,239)	(272,672)
Proceeds from sale of investments		1	-
Sale of tangible fixed assets		-	488
Interest received		<u>553</u>	<u>4,350</u>
Net cash from investing activities		<u>148,005</u>	<u>(267,834)</u>
Decrease in cash and cash equivalents		(281,408)	(4,109,206)
Cash and cash equivalents at beginning of year	2	<u>1,700,634</u>	<u>5,809,840</u>
Cash and cash equivalents at end of year	2	<u><u>1,419,226</u></u>	<u><u>1,700,634</u></u>

The notes on pages 14 to 22 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE STATEMENT OF CASH FLOWS for the year ended 31 December 2017

1. RECONCILIATION OF PROFIT BEFORE INCOME TAX TO CASH GENERATED FROM OPERATIONS

	2017 £	2016 £
Profit before income tax	1,766,861	2,216,875
Depreciation charges	8,041,291	8,152,333
Loss/(profit) on disposal of fixed assets	3,872	(487)
Finance costs	40	997
Finance income	(553)	(4,350)
	<hr/>	<hr/>
	9,811,511	10,365,368
Decrease in inventories	96,690	302,571
Increase in trade and other receivables	(9,390,978)	(13,087,233)
Decrease in trade and other payables	(946,596)	(1,421,081)
	<hr/>	<hr/>
Cash generated from operations	(429,373)	(3,840,375)

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 December 2017

	2017 £	2016 £
Cash and cash equivalents	<u>1,419,226</u>	<u>1,700,634</u>

The notes on pages 14 to 22 form part of these financial statements

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2017

1. STATUTORY INFORMATION

Al Jazeera International Limited is a private company, limited by shares, registered in England and Wales, in the United Kingdom. The company's registered number and registered office address can be found on the Company Information on page 1.

2. ACCOUNTING POLICIES

Basis of preparation

The company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements are presented in Sterling and all values are rounded to the nearest pound except when otherwise indicated.

Revenue recognition

Revenue represents invoiced sales of services, including 5%/6% mark-up and excluding value added tax. Revenue is derived entirely from services provided to Al Jazeera Media Network based in the state of Qatar.

Property, plant and equipment

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Short leasehold	- 33.3% on cost
Plant and machinery	- 20% on cost
Fixtures and fittings	- 25% on cost
Motor vehicles	- 25% on cost
Computer equipment	- 33.3% on cost

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended. Borrowing costs attributable to assets under construction are recognised as an expense.

The carrying values of property, plant, and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. An item of property, plant, and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the year the item is derecognised.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued **for the year ended 31 December 2017**

2. ACCOUNTING POLICIES - continued

Trade and other receivables

Trade receivables, which are generally received from Al Jazeera Media Network, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence the balances will not be recovered in full. Balances are written off when the probability of recovery is assessed as being remote.

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to transfer pricing provisions as applicable to the company.

Tax on the income or loss for the year comprises current and deferred tax. Income tax is charged or credited directly to the income statement.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax is recognised on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the exception of deferred income tax assets which are recognised only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

Foreign currencies

The functional and presentation currency of Al Jazeera International Limited is Sterling. Transactions in foreign currencies are initially recorded in the functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences arising on translation are taken to the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Financial liabilities

Contributions are paid into the money purchase pension schemes held by certain employees. The assets of the scheme are held separately. The contributions are recognised in the income statement in the period in which they become payable.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

2. ACCOUNTING POLICIES - continued

Going concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue receiving the financial support of Al Jazeera Media Network, Qatar.

The Board believes that this basis is appropriate and they are not aware of any reasons why the financial support should not continue in the near future.

Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Work in progress

Expenditure incurred on programmes but not transmitted is treated as work in progress and is released to the profit and loss account as and when the respective programmes are transmitted.

3. EMPLOYEES AND DIRECTORS

	2017	2016
	£	£
Wages and salaries	8,051,550	8,370,333
Social security costs	955,646	1,013,375
Other pension costs	756,430	1,119,749
	<u>9,763,626</u>	<u>10,503,457</u>

The average monthly number of employees during the year was as follows:

	2017	2016
Production	115	114
Administration and finance	<u>21</u>	<u>24</u>
	<u>136</u>	<u>138</u>

The directors received no emoluments from the company during the year (2016 - Nil). The directors' emoluments are borne by a related party. The total remuneration paid by the related party amounted to £57,155 in respect of services provided to both that related party as well as this company.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

4. NET FINANCE INCOME

	2017 £	2016 £
Finance income:		
Deposit account interest	<u>553</u>	<u>4,350</u>
Finance costs:		
Bank interest	<u>40</u>	<u>997</u>
Net finance income	<u>513</u>	<u>3,353</u>

5. PROFIT BEFORE INCOME TAX

The profit before income tax is stated after charging/(crediting):

	2017 £	2016 £
Cost of inventories recognised as expense	15,912,474	17,445,425
Depreciation - owned assets	8,041,453	8,152,334
Loss/(profit) on disposal of fixed assets	3,710	(488)
Auditor's remuneration	<u>62,000</u>	<u>72,770</u>

6. INCOME TAX

Analysis of tax expense

No liability to UK corporation tax arose for the year ended 31 December 2017 nor for the year ended 31 December 2016.

Factors affecting the tax expense

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £	2016 £
Profit before income tax	<u>1,766,861</u>	<u>2,216,875</u>
Profit multiplied by the standard rate of corporation tax in the UK of 19.246% (2016 - 20%)	340,050	443,375
Effects of:		
Tax effect of capital allowances	(738,353)	(928,403)
Tax effect of losses brought forward	(2,998,274)	(2,361,750)
Tax effect of losses carried forward	3,450,457	2,981,647
Tax effect of Transfer Pricing adjustment	<u>(53,880)</u>	<u>(134,869)</u>
Tax expense	<u>-</u>	<u>-</u>

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

7. PROPERTY, PLANT AND EQUIPMENT

	Short leasehold £	Plant and machinery £	Fixtures and fittings £
Cost			
At 1 January 2017	979,750	31,031,246	6,054,982
Additions	-	28,495	13,988
Disposals	-	(11,617)	-
At 31 December 2017	<u>979,750</u>	<u>31,048,124</u>	<u>6,068,970</u>
Depreciation			
At 1 January 2017	195,950	14,591,917	3,495,297
Charge for year	65,317	6,170,085	1,511,949
Eliminated on disposal	-	(7,745)	-
At 31 December 2017	<u>261,267</u>	<u>20,754,257</u>	<u>5,007,246</u>
Net book value			
At 31 December 2017	<u>718,483</u>	<u>10,293,867</u>	<u>1,061,724</u>
At 31 December 2016	<u>783,800</u>	<u>16,439,329</u>	<u>2,559,685</u>
	Motor vehicles £	Computer equipment £	Totals £
Cost			
At 1 January 2017	43,699	1,273,645	39,383,322
Additions	-	13,756	56,239
Disposals	-	-	(11,617)
At 31 December 2017	<u>43,699</u>	<u>1,287,401</u>	<u>39,427,944</u>
Depreciation			
At 1 January 2017	43,699	948,432	19,275,295
Charge for year	-	293,940	8,041,291
Eliminated on disposal	-	-	(7,745)
At 31 December 2017	<u>43,699</u>	<u>1,242,372</u>	<u>27,308,841</u>
Net book value			
At 31 December 2017	<u>-</u>	<u>45,029</u>	<u>12,119,103</u>
At 31 December 2016	<u>-</u>	<u>325,213</u>	<u>20,108,027</u>

AL JAZEERA INTERNATIONAL LIMITED**NOTES TO THE FINANCIAL STATEMENTS - continued**
for the year ended 31 December 2017**8. INVESTMENTS**

	Shares in group undertakings £
Cost	
At 1 January 2017	1
Disposals	(1)
At 31 December 2017	-
Net book value	
At 31 December 2017	-
At 31 December 2016	1

During the year, the company disposed of its interests in subsidiaries for £1. This has resulted in neither a profit nor loss on disposal.

9. LOANS AND OTHER FINANCIAL ASSETS

	2017 £	2016 £
1% shareholding in Al Jazeera Turk Channel, Turkey	<u>567</u>	<u>567</u>

10. INVENTORIES

	2017 £	2016 £
Work-in-progress	<u>156,277</u>	<u>252,967</u>

11. TRADE AND OTHER RECEIVABLES

	2017 £	2016 £
Current:		
Trade debtors	34,486,499	25,004,811
Other debtors	754	6,224
Staff Advances	9,996	16,626
Social security and other taxes	118,484	40,475
VAT	321,083	496,264
Called up share capital not paid	50,000	50,000
Prepayments	<u>746,127</u>	<u>727,566</u>
	<u>35,732,943</u>	<u>26,341,966</u>

Trade debtors relate to amounts receivable from Al Jazeera Network, Qatar. No interest is payable by the related party on this amount, which is repayable upon demand.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

12. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash in hand	86,942	70,371
Bank accounts	<u>1,332,284</u>	<u>1,630,263</u>
	<u>1,419,226</u>	<u>1,700,634</u>

13. CALLED UP SHARE CAPITAL

Allotted and issued:		Nominal value:	2017 £	2016 £
Number:	Class:	£1		
50,000	Ordinary £1 shares		<u>50,000</u>	<u>50,000</u>

14. RESERVES

	Retained earnings £	Capital contribution £	Totals £
At 1 January 2017	(6,310,801)	38,089,104	31,778,303
Profit for the year	1,766,861	-	1,766,861
Increase in capital contribution (see below)	-	203,690	203,690
At 31 December 2017	<u>(4,543,940)</u>	<u>38,292,794</u>	<u>33,748,854</u>
	Retained earnings £	Capital contribution £	Totals £
At 1 January 2016	(8,527,676)	38,089,104	29,561,428
Profit for the year	<u>2,216,875</u>	-	<u>2,216,875</u>
At 31 December 2016	<u>(6,310,801)</u>	<u>38,089,104</u>	<u>31,778,303</u>

Capital contribution represents amounts introduced by Al Jazeera Network, a related party, towards the acquisition of fixed assets.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

15. TRADE AND OTHER PAYABLES

	2017 £	2016 £
Current:		
Trade creditors	634,274	914,999
Amounts Owed Al Jazeera Network, Qatar	9,841,469	10,016,989
Employee salaries	142,315	143,017
Pension Contributions Payable	65,439	69,314
Childcare Vouchers	-	(836)
Deferred income	156,276	580,233
Accrued expenses	<u>3,809,739</u>	<u>3,872,393</u>
	<u>14,649,512</u>	<u>15,596,109</u>

Amounts owed to Al Jazeera Network, Doha, Qatar do not attract any interest and are repayable upon demand.

16. LEASING AGREEMENTS

Minimum lease payments under non-cancellable operating leases fall due as follows:

	2017 £	2016 £
Within one year	1,389,050	1,389,050
Between one and five years	5,556,202	5,556,202
In more than five years	<u>8,334,304</u>	<u>9,723,354</u>
	<u>15,279,556</u>	<u>16,668,606</u>

Operating lease commitments

Commitments under operating leases relate primarily to the rental of office space. Minimum lease rentals payable under non-cancellable operating leases as at 31 December 2017 are as shown above

17. PROVISIONS

	2017 £	2016 £
Other provisions	<u>979,750</u>	<u>979,750</u>
Analysed as follows:		
Current	<u>979,750</u>	<u>979,750</u>
	2017	2016
Provision for dilapidation brought forward	979,750	979,750
Movement during the year	-	-
Balance carried forward	<u>979,750</u>	<u>979,750</u>

The provision relates to the company's dilapidation obligations in respect of the main business premises at The Shard.

AL JAZEERA INTERNATIONAL LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 December 2017

18. CONTINGENT LIABILITIES

The company is engaged in negotiations with HMRC on the matter of Transfer Pricing adjustment to the tax liability payable in the United Kingdom. Due to the impasse in the negotiations, it is likely that the matter will have to be pursued through the Tax Tribunal. In the event that the Tribunal decides against the company, the tax payable would be £3.27m.

19. RELATED PARTY DISCLOSURES

Company's entire revenue is based on services provided to Al Jazeera Media Network, Qatar which is owned by the State of Qatar. The entire share capital of the company is owned by H E The Emir of Qatar, who is also the sovereign head of the State of Qatar. Amounts owed to/by Al Jazeera Network, Qatar are shown under receivables and payables, and identified as such.

20. ULTIMATE CONTROLLING PARTY

The Emir of Qatar is the 100% owner of the issued share capital and therefore, the controlling party. The Emir, being a sovereign head of state, does not have a registered office.